

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL



Inspector General

October 30, 2000

The Honorable Anthony A. Williams  
Mayor of the District of Columbia  
One Judiciary Square  
441 4<sup>th</sup> Street, N.W., Suite 1100  
Washington, D.C. 20001

Dear Mayor Williams:

The purpose of this Management Implication Report (MIR 01-A-1) is to inform District Agencies that currently utilize the General Services Administration's (GSA) Federal Acquisition Services for Technology (FAST) Program<sup>1</sup> of the need to: (1) ensure adequate separation of responsibilities when procuring goods and services through the GSA FAST Program; (2) track transferred funds and corresponding expenditures made through the GSA FAST Program; and (3) prevent circumvention of budgetary controls by transferring funds to the GSA FAST Program.

**Background**

The Procurement Practices Act of 1985, D.C. Law 6-85, effective February 21, 1986, (D.C. Code §§ 1-1181 – 1-1192), as amended by the Procurement Reform Amendment Act of 1996, D.C. Law 11-259, effective April 9, 1997, provides guidelines on procurement and contracting practices for agencies subordinate to the Mayor, independent agencies, boards, and commissions. The Procurement Reform Act of 1996 centralized the District's procurement and contracting functions and personnel under the Office of Contracting and Procurement (OCP). D.C. Code § 1-337(J) (1999 Repl.), empowers the OCP to place orders with any federal department, establishment, bureau, or office for goods and/or services determined to be for the good of the District.

The GSA has provided the services of the GSA FAST Program to District agencies (agencies) for over 10 years. However, during this period the District has not developed guidelines for procurements made through the GSA FAST Program.

Current GSA procedures require that an agency and GSA establish a Memorandum of Understanding (MOU) for the procurement of Information Technology (IT) goods and

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<sup>1</sup> The GSA FAST Program (federal agency) is a program established by GSA that provides support services for procuring *Information Technology* (IT) goods and services for a standardized fee (approximately 2-4% of the procurement cost).

services. Prior to performing services for an agency, a GSA representative meets with the agency to explain the terms of the MOU and establish an agency representative. The agency representative is responsible for coordinating activities between GSA and the agency, such as notifying GSA of a requisition and taking receipt of goods and/or services. The MOU's terms of payment provision requires agencies to transfer funds to GSA prior to GSA requisitioning the goods and/or services. The agency's procurement or accounting department becomes involved in the process only to facilitate transferring the funds to the GSA FAST Program.

In conjunction with an on-going audit of an agency, we have identified inadequate separation of duties, insufficient accountability of funds and equipment, and circumvention of budgetary controls. A discussion of each of these areas follows.

### **Inadequate Separation of Responsibilities**

The agency under review did not establish adequate separation of responsibility over procurements made through the GSA FAST Program. Our audit revealed that a District employee was allowed to create a requisition, approve the requisition, sign for the receipt of IT goods and/or services, and take custody and control of the IT goods requisitioned through the GSA FAST Program.

This situation resulted in the agency's inability to establish accountability for the goods and/or services procured through the GSA FAST Program. The situation also increased the risk of District assets being inappropriately used or stolen. Adequate separation of responsibilities would prevent one individual from creating a requisition, approving the requisition, signing for the receipt of goods and/or services, and obtaining complete control over the goods once they are received.

The District of Columbia Financial Standards System, Part C, § 57.01, effective October 1, 1987, provides as follows:

*[I]n order to reduce the risk of error, waste or wrongful acts, or to reduce the risk of them going undetected, no one individual should control all key aspects of a transaction. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing, approving and recording transactions; issuing and receiving assets; making payments; and reviewing or auditing transactions.*

Additionally, Mayor's Memorandum 83-68, dated November 29, 1983, section C, "Internal Control Mechanisms Necessary to Support Certification," provides that an agency should establish and maintain proper internal controls to ensure proper segregation of the following duties: "(1) requisition and procurement of goods and services, (2) receipt of goods and services, (3) examination and request for payment of invoices, (4) preparation of vouchers, (5) approval of vouchers for payment, and (6) certification of vouchers."

### **Accountability of Funds and IT Equipment**

The agency did not maintain adequate supporting documentation to account for funds transferred or the corresponding IT assets procured through the GSA FAST Program. The agency did not develop an inventory of the corresponding IT equipment procured through the GSA FAST Program. As a result, the agency did not know the balance of its GSA FAST Program account or the locations of the IT equipment that was procured through the program.

The District of Columbia Financial Standards System Part E, § 59, provides, in pertinent part:

*[A]ccountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree.*

### **Circumvention of Budgetary Controls**

We found that the agency allowed appropriated funds balances in the GSA FAST Program account to be carried forward into succeeding fiscal years (FY). Throughout the FY, the agency transferred funds to the GSA FAST Program for the procurement of IT goods and services. However, funds that had not been encumbered<sup>2</sup> by GSA at the end of the FY did not lapse<sup>3</sup>. The present payment arrangement of transferring funds to GSA and allowing balances in the GSA FAST Program account to be carried forward into successive FYs without any obligation of goods or services encourages agencies to circumvent budgetary controls established by the District.

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<sup>2</sup> Internal control device designed to help prevent over expending the budget. Funds are designated or obligated in reserve to cover obligations.

<sup>3</sup> Generally, funds not encumbered or designated to carry over into succeeding FYs are returned to the general fund at FY end closing.

The District of Columbia Financial Standards System, Part C, § 16.09 provides as follows:

*To control appropriations adequately, there shall be effective verification of unencumbered appropriations (positive knowledge) before creating an encumbrance, and encumbrance information shall be accumulated and reported promptly and accurately.*

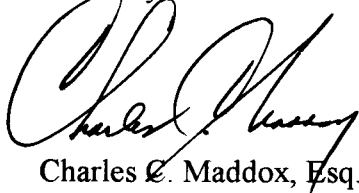
Part C, § 27.07 provides *"The portion of purchase orders and contracts not received or performed at the end of each fiscal year which are to be completed in the subsequent fiscal year, shall be encumbered against the subsequent year's appropriation."*

In addition, Part C, § 27.08 provides *"The portion of purchase orders and contracts not received or performed at the end of each fiscal year which are not to be completed, shall be canceled in the current fiscal year."*

This MIR provides agency heads with information about conditions that, if not properly managed, could occur in their agencies. It is imperative that agency heads have the information necessary to detect, correct, and prevent similar conditions should such conditions exist in their own agencies.

Should you have questions about this MIR, please call me or William J. DiVello, Assistant Inspector General for Audits, at 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles E. Maddox".

Charles E. Maddox, Esq.  
Inspector General

cc: District of Columbia Financial Responsibility  
and Management Assistance Authority  
District of Columbia Councilmembers  
Agency Heads